

**AMPLA HEALTH**

**FINANCIAL REPORT**

**Year Ended June 30, 2014 and 2013**

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## Certified Public Accountants

### **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Ampla Health  
Yuba City, California

We have audited the accompanying financial statements of Ampla Health (a non-profit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activity, functional expenses and cash flows for the year then ended and related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with principles generally accepted in the United States of America: this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatements, whether due to fraud or error.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Ampla Health as of June 30, 2014 and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Report on Summarized Comparative Information*

We have previously audited Ampla Health's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 24, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Report on Other Legal and Regulatory Requirements**

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2014 on our consideration of Ampla Health's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

*Oliver & Konrad, LLP*

December 5, 2014

**AMPLA HEALTH**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 419,991	\$ 1,368,870
Patient accounts receivable - net of allowances of \$1,673,197 in 2014 and \$840,373 in 2013	4,440,823	3,058,009
Grants and contributions receivable	410,753	829,657
Estimated amounts due from third-party payers	519,432	859,106
Other receivable	-	29,567
Investments & cash internally designated	27,783	1,100,000
Investments restricted for bond service and reserve	1,014,405	1,609,191
Supplies inventory	175,961	213,096
Prepaid expenses	534,150	380,917
Deferred financing costs	462,059	493,742
Property and equipment - net	22,143,551	19,224,446
<b>Total assets</b>	<b>\$30,148,908</b>	<b>\$29,166,601</b>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 1,762,204	\$ 1,941,282
Estimated amounts due to third-party payers	938,605	1,223,510
Accrued expenses	2,627,487	2,262,974
Long-term debt	11,825,626	8,250,427
<b>Total liabilities</b>	<b>17,153,922</b>	<b>13,678,193</b>
<b>Net Assets</b>		
Unrestricted		
Designated	27,783	1,100,000
Undesignated	12,451,165	13,965,469
Temporarily restricted	516,038	422,939
<b>Total net assets</b>	<b>12,994,986</b>	<b>15,488,408</b>
<b>Total liabilities and net assets</b>	<b>\$30,148,908</b>	<b>\$29,166,601</b>

The accompanying notes are an integral part of this statement.

**AMPLA HEALTH**  
**STATEMENTS OF ACTIVITY AND CHANGES IN NET ASSETS**  
**For the Years Ended June 30, 2014 and 2013**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total 2014</b>	<b>Total 2013</b>
<b>Unrestricted Net Assets</b>				
<i>Support</i>				
Net patient revenue	\$ 27,050,639	\$ -	\$ 27,050,639	\$ 26,882,954
Grant revenue	7,493,753	424,385	7,918,138	9,553,569
Contribution revenue	22,750	4,250	27,000	142,000
Other income	680,913	-	680,913	228,133
Net assets released from restriction	335,536	(335,536)	-	-
<b>Total support</b>	<b>35,583,591</b>	<b>93,099</b>	<b>35,676,690</b>	<b>36,806,656</b>
<b>Expenses</b>				
<i>Program services</i>	31,001,402	-	31,001,402	28,172,832
<i>Supporting services</i>	7,168,710	-	7,168,710	5,861,285
<b>Total expenses</b>	<b>38,170,112</b>	<b>-</b>	<b>38,170,112</b>	<b>34,034,117</b>
<b>Changes in Net Assets</b>	<b>(2,586,521)</b>	<b>93,099</b>	<b>(2,493,422)</b>	<b>2,772,539</b>
<b>Net Assets, Beginning of year</b>	<b>15,065,469</b>	<b>422,939</b>	<b>15,488,408</b>	<b>12,715,869</b>
<b>Net Assets, end of year</b>	<b>\$ 12,478,948</b>	<b>\$ 516,038</b>	<b>\$ 12,994,986</b>	<b>\$ 15,488,408</b>

The accompanying notes are an integral part of this statement.

**AMPLA HEALTH**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2014 and 2013**

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	\$ (2,493,422)	\$ 2,772,539
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	1,099,294	747,212
Provision for bad debt	2,153,400	168,914
Amortization of deferred issuance cost	31,683	31,682
(Increase) decrease in operating assets		
Patient accounts receivable	(3,536,213)	(524,844)
Grants and contributions receivable	418,904	(360,569)
Estimated amounts due from third-party payers	339,674	356,215
Other receivable	29,567	1,107,359
Supplies Inventory	37,135	58,674
Prepaid expenses	(153,233)	(15,703)
Increase (decrease) in operating liabilities		
Accounts payable	(179,078)	1,033,635
Estimated amounts due to third-party payers	(284,905)	384,790
Accrued expenses	364,513	34,886
Net cash (used) provided by operating activities	\$ (2,172,681)	\$ 5,794,790

The accompanying notes are an integral part of this statement.

**AMPLA HEALTH**  
**STATEMENTS OF CASH FLOWS**  
**(Continued)**  
**For the Years Ended June 30, 2014 and 2013**

	2014	2013
Net cash (used) provided by operating activities	\$ (2,172,681)	\$ 5,794,790
Cash flows from investing activities		
Purchase of property and equipment	(1,820,955)	(5,534,941)
Net cash used by investing activities	(1,820,955)	(5,534,941)
Cash flows from financing activities		
Proceeds from line of credit	2,000,000	-
Net transfers to bond debt service funds	594,786	(11,038)
Cash transferred (from) to internally designated reserve	1,072,217	(120,000)
Repayment of principal on long-term debt	(622,245)	(466,874)
Net cash provided (used) by financing activities	3,044,758	(597,912)
<b>Net decrease in cash and cash equivalents</b>	<b>(948,878)</b>	<b>(338,063)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,368,870</b>	<b>1,706,933</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 419,992</b>	<b>\$ 1,368,870</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest Paid	\$ 503,012	\$ 421,392
<b>Non-Cash Financing Activities</b>		
Financed purchase of real estate	\$ 1,417,232	\$ -
Financed purchase of equipment	\$ 780,211	\$ -

The accompanying notes are an integral part of this statement.

**AMPLA HEALTH**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Years Ended June 30, 2014**

	<b>Medical Services</b>	<b>Dental Services</b>	<b>Health Education &amp; Community Services Programs</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Total Program and Support Services</b>
<b>Expenses:</b>						
Salaries & benefits	\$ 19,536,779	\$ 3,495,148	\$ 1,458,847	\$24,490,774	\$ 4,427,841	\$ 28,918,615
Supplies	990,570	394,403	38,789	1,423,762	198,365	1,622,127
Contractual	1,737,973	478,608	30,971	2,247,552	584,580	2,832,132
Insurance	35,295	9,440	-	44,735	175,158	219,893
Other operating expenses	917,572	205,757	46,458	1,169,787	1,133,885	2,303,672
Depreciation	623,815	143,374	19,842	787,031	312,263	1,099,294
Interest	308,075	44,218	-	352,293	148,314	500,607
Travel	35,836	43,898	31,831	111,565	142,248	253,813
Space cost	183,337	76,336	114,230	373,903	46,056	419,959
<b>Total Expenses</b>	<b>\$ 24,369,252</b>	<b>\$ 4,891,182</b>	<b>\$ 1,740,968</b>	<b>\$31,001,402</b>	<b>\$ 7,168,710</b>	<b>\$ 38,170,112</b>

The accompanying notes are an integral part of this statement.

**AMPLA HEALTH**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Years Ended June 30, 2013**

	<b>Medical Services</b>	<b>Dental Services</b>	<b>Health Education &amp; Community Services Programs</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Total Program and Support Services</b>
<b>Expenses:</b>						
Salaries & benefits	\$ 17,287,823	\$ 3,412,609	\$ 1,355,867	\$ 22,056,299	\$ 3,892,014	\$ 25,948,313
Supplies	840,418	337,014	33,419	1,210,851	75,286	1,286,137
Contractual	1,889,920	331,884	31,502	2,253,306	508,683	2,761,989
Insurance	32,915	7,662	-	40,577	177,183	217,760
Other operating expenses	975,387	194,474	42,956	1,212,817	797,110	2,009,927
Depreciation	490,882	135,588	(559)	625,911	121,301	747,212
Interest	248,864	66,058	-	314,922	104,259	419,181
Travel	31,146	33,842	38,666	103,654	158,761	262,415
Space cost	182,375	61,139	110,981	354,495	26,688	381,183
<b>Total Expenses</b>	<b>\$ 21,979,730</b>	<b>\$ 4,580,270</b>	<b>\$ 1,612,832</b>	<b>\$ 28,172,832</b>	<b>\$ 5,861,285</b>	<b>\$ 34,034,117</b>

The accompanying notes are an integral part of this statement.

**AMPLA HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2014 and 2013**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Organization***

Ampla Health, is a not-for-profit organization, operating under the provisions of Section 501(c)(3) of the Internal Revenue code. The purpose of the Organization is to provide health and education services to low income families and seasonal and migrant agricultural workers and their families who reside in California's Northern Sacramento Valley. In addition to patient service revenues from Medicare, Medi-Cal and private sources, the Organization also receives funding from federal grants. The Organizations primarily earns revenues by providing physician and related health care services through clinics located in Yuba, Sutter, Glenn, Butte, and Colusa counties in California.

***Summarized Financial Information***

The financial statements include certain prior-year summarized comparative information in the total but not by net asset class. Such information does not include sufficient information to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements as of June 30, 2013.

***Basis of Accounting and Presentation***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets that are not subject to donor imposed stipulations. Investment earnings are recorded as unrestricted net assets for certain temporarily restricted funds in accordance with the Organization's spending rule and for certain funds in accordance with donor stipulations.

*Temporarily restricted net assets* – Net assets subject to donor imposed stipulations that will be met either by actions of the Organization and /or passage of time. When a restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently restricted net assets* – Net assets subject to donor imposed stipulations are maintained by the Organization in perpetuity. There were no permanently restricted net assets during the year.

**AMPLA HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2014 and 2013**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Revenue Recognition***

The Organization has agreements with third-party payers that provide for payment amounts, which differ from its standard charges. A summary of major payment arrangements is as follows:

*Patient service revenue* – Approximately 80% of the Organization’s patient revenues are from patients who are covered by Medicare, Medi-Cal, or third-party insurance carriers. These payers limit payment for services based upon their respective schedules of usual, customary, and reasonable fees. An allowance for contractual adjustments results from the difference between the payment based on the usual, customary, and reasonable fee and the Organization’s standard charge. The allowance is recorded as a deduction from patient revenues. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

*Federal funding* – The Organization participates in the Medi-Cal and Medicare programs as a Federally Qualified Health Center (“FQHC”), which provides for cost reimbursement as an all-inclusive provider. This program provides reimbursement at a single rate for all types of services provided by the Organization on an encounter reporting basis.

*Charity Care* – The Organization provides discounted services to patients who are financially unable to pay for medical care and who meet certain criteria under its charity care policy. Charity care eligibility is established based on limited or no insurance coverage, income compared to published poverty levels and family size, as well as other factors. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Organization maintains records to identify and monitor the level of charity care it provides. Charity care is measured based on the Organizations estimated unreimbursed direct and indirect costs of provide charity care services. That estimate is made by multiplying the Organization’s cost per encounters. The amount of charity care provided during the years ended June 30, 2014 and 2013, was approximately \$2,171,172 and \$2,184,000, respectively.

**AMPLA HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2014 and 2013**

**Note 1. Summary of Significant Accounting Policies (Continued)**

***Revenue Recognition (Continued)***

*Grants and contributions* – The Organization receives grants from federal agencies, the State of California, as well as contributions from private organizations. Government grants are reimbursed base on the actual expenses incurred or units of services provided. Revenue from these grants is recognized either when expenses are incurred or when services are provided. Revenue recognition depends on the grant award agreements. Contribution revenue is reported when cash is received, unconditional promises are made, or ownership of other assets is transferred to the organization. Contributions may be restricted for either specific operating purposes or for capital purposes.

*Donations* – Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Noncash donations are recorded at their estimated fair values at the date of donation. Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are reported as donated services.

***Functional Allocation of Expenses***

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

The Organization provides for estimated losses on accounts receivable based on prior bad debt experience and generally does not charge interest on past due balances. Past due status is based upon the date of services provided. Uncollectible receivables are charged-off when deemed uncollectible. Recoveries from previously charged-off accounts are recorded when received.

***Cash and Cash Equivalents***

The Organization considers all highly liquid investments, with original maturities of three months or less to be cash and cash equivalents.

**AMPLA HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2014 and 2013**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

***Restricted and Designated Investments***

Restricted and designated investments primarily include investments held by trustees under indenture agreements and designated assets set aside by the Board of Directors for specific purposes including future capital improvements over which the Board of Directors retains control and may at its discretion subsequently use for other purposes.

***Investments***

All investments in money market funds are measured at fair value in the statements of financial position. Investment income or loss is included in unrestricted net assets unless their use is temporarily or permanently restricted by donor or law. Unrealized gains and losses on investments are included in changes in unrestricted net assets unless the income or loss is restricted by donor or law.

***Patient Accounts Receivable***

The Organization reports patient accounts receivable for services rendered at estimated net realizable amounts from third-party payers, patients and others. The Organization provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, the Organization bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivables are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts against patient revenue, based on individual credit evaluation and specific circumstances of the account.

***Supplies Inventory***

The Organization states office and medical supply inventories at the lower of cost, determined using the first-in, first-out method, or market.

***Deferred Financing Costs***

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the straight-line method.

**AMPLA HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2014 and 2013**

**Note 1. Summary of Significant Accounting Policies (Continued)**

***Property and Equipment***

Property, plant, and equipment acquisitions are recorded at cost. Property and equipment additions exceeding \$1,000 or computers \$500 or greater are capitalized. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Leasehold improvements are amortized over the shorter of the life of the lease or the useful life of the improvements.

Gifts of long-lived assets such as land, building, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Cost or maintenance and repairs are charged to expense as incurred. Estimated usefully lives are as follows:

Buildings	5 - 30 years
Furniture and fixtures	7 years
Equipment	3 – 7 years

The Organization evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method that best reflects the diminished service utility of the capital asset.

***Income Taxes***

The Organization is a nonprofit corporation under the internal Revenue Code Section 501 (c)(3) and has been granted tax-exempt status by the Internal Revenue Service and the California Revenue and Taxation Code. As of June 30, 2014, the Organization had no unrecognized tax positions or uncertain tax positions requiring accrual. Therefore, no provision for income taxes has been provided in the financial statements.

The Organization's federal Exempt Organization income Tax Returns (Form 990) for 2014, 2013, 2012 and 2011 are subject to examination by the IRS, generally for three years after they were filed.

***Subsequent Events***

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 5, 2014, the date the financial statements were available to be issued.

**AMPLA HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2014 and 2013**

**Note 2. Investments**

Investments consist of the following:

	<b>2014</b>		<b>2013</b>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Money market mutual funds	\$ 1,014,405	\$ 1,014,405	\$ 1,006,022	\$ 1,006,022
Money market accounts with brokers	27,783	27,783	2,337,679	2,337,679
<b>Total Investments carried at fair value</b>	<b>\$ 1,042,188</b>	<b>\$ 1,042,188</b>	<b>\$ 3,343,701</b>	<b>\$ 3,343,701</b>
Restricted for bond service & reserve	\$ 1,014,405	\$ 1,014,405	\$ 1,609,191	\$ 1,609,191
Internally designated for board reserve	27,783	27,783	1,100,000	1,100,000
Investments considered cash equivalents	-	-	634,510	634,510
<b>Total Investments carried at fair value</b>	<b>\$ 1,042,188</b>	<b>\$ 1,042,188</b>	<b>\$ 3,343,701</b>	<b>\$ 3,343,701</b>

The Organization measures fair value at the price that would be received upon sale of an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Authoritative guidance establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values, requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Unobservable inputs for the asset or liability.

**AMPLA HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2014 and 2013**

**Note 2. Investments (Continued)**

The Organization's endeavors to utilize the best available information in measuring fair value. The following table summarizes the valuation of the financial instruments in accordance with the guidance's pricing levels as of:

	<b>As of June 30 2014</b>			
	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Money market funds:				
Money market mutual funds	\$ 1,014,405	\$ 1,014,405	\$ -	\$ -
Money market fund accounts with brokers	27,783	27,783	-	-
Total Investments carried at fair value	\$ 1,042,188	\$ 1,042,188	\$ -	\$ -
	<b>As of June 30 2013</b>			
	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Money market funds:				
Money market mutual funds	\$ 1,006,022	\$ 1,006,022	\$ -	\$ -
Money market fund accounts with brokers	2,337,679	2,337,679	-	-
Total Investments carried at fair value	\$ 3,343,701	\$ 3,343,701	\$ -	\$ -

Investments in money market mutual funds and money market accounts with brokers are valued using market prices on active markets (Level 1). Level 1 instrument valuation are obtained from real-time quotes for transactions in active exchange markets.

The Organization did not have any Level 2 or Level 3 investments.

**AMPLA HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2014 and 2013**

**Note 3. Property and Equipment**

The following is a summary of property and equipment at cost less, accumulated depreciation:

	<u>2014</u>	<u>2013</u>
Nondepreciable:		
Land	\$ 2,383,787	\$ 2,383,787
Construction in progress	97,408	5,863,799
Depreciable		
Buildings and improvements	23,754,435	16,757,888
Equipment	8,563,726	5,775,483
	<u>34,799,356</u>	<u>30,780,957</u>
Less accumulated depreciation	12,655,805	11,556,511
	<u>\$ 22,143,551</u>	<u>\$ 19,224,446</u>

Depreciation expense was \$1,099,294 and \$747,212 for the years ended June 30, 2014 and 2013 respectively.

**Note 4. Line of Credit**

To provide for short-term cash requirements, the Organization has established a line of credit agreement with Umpqua Bank to borrow up to \$2,500,000 at a variable indexed rate (4.75% at June 30, 2014). The outstanding balance was \$2,000,000 and \$0 at June 30, 2014 and 2013, respectively. The note is secured by real property located in Arbuckle, California and matures on March 5, 2015.

**AMPLA HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2014 and 2013**

**Note 5. Long-Term Debt**

Long-term debt consists of the following at June 30:

	<u>2014</u>	<u>2013</u>
Line of Credit - See Note 4	\$ 2,000,000	\$ -
California Statewide Communities Development Authority Insured Health Facility Revenue Bonds, Series 2003A; collateralized by real estate of the location; due in annual principal payments and monthly interest payment at 4.50%; this includes an unamortized original issue discount of \$104,538 and \$111,706 for 2014 and 2013 respectively; the debt agreement requires a defined level of debt service coverage to be maintained; matures December 2028. Payment of principal and interest of the Revenue Bonds is insured by the Office of Statewide Health Planning and Development of the State of California through The California Health Facility Construction Loan Insurance Program.	6,175,462	6,458,294
California Statewide Communities Development Authority Certificate of Participation; secured by a pledge of the Organization's gross revenues; due in annual principal payments and monthly interest payments at 4%; the debt agreement requires a defined level of debt service coverage to be maintained; matures August 2020. Payment of principal and interest of the Certificate of Participation is insured by the Office of Statewide Health Planning and Development of the State of California through The California Health Facility Construction Loan Insurance Program.	530,000	590,000
Note payable to California Health Facilities Financing Authority, monthly installments of \$6,809, including interest at 3%, maturing at October 1, 2022. This note is secured by real estate and the Organization's gross revenues. The principal of this loan was used to refund the Series 1994B Revenue Bonds previously held by the Organization.	592,280	655,191

**AMPLA HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2014 and 2013**

**Note 5. Long-Term Debt (Continued)**

	<u>2014</u>	<u>2013</u>
Note payable to the United States Department of Agriculture ("USDA") Rural Development, quarterly installments of \$14,960, including interest at 5.00%, maturing at October 10, 2019. Secured by real estate.	\$ 297,335	\$ 340,167
Note payable to the Boardenkircher Family Trust, monthly installments of \$2,500, including interest at 7.00% until May 30, 2017 at which time all outstanding principal and accrued interest of \$124,673 is due. Secured by real estate.	180,648	197,362
Note payable to Northern California National Bank (Bank), monthly installments of \$9,013, including interest at 4.25%, maturing at December 20, 2023. Note is secured by a \$500,000 cash deposit made by the seller of the acquired real estate and held by the Bank. The proceeds of the loan were used to refinance the acquisition of Enloe Medical Center.	847,396	-
Note payable to Northern California National Bank, monthly installments of \$5,548, including interest at 4.25%, maturing at December 20, 2023. Proceeds of the loan were used to refinance the acquisition of Enloe Medical Center and is secured by the Center.	521,633	-
Note payable to General Electric Capital Corporation, monthly installments of \$10,787 including interest at 4.79%, maturing July 1, 2018. Secured by financed equipment and software.	470,295	-
Note payable to Great American Financial Services, monthly installments of \$4,972 including interest at 7.19%, maturing July 28, 2018. Secured by financed equipment	210,577	-
Note payable to Kronos Incorporated, monthly installments of \$1,063 including interest at 9%, matured December 1, 2013. Secured by financed equipment.	-	9,413
	<u>\$ 11,825,626</u>	<u>\$ 8,250,427</u>
Less current portion	<u>(2,759,290)</u>	<u>(474,702)</u>
	<u>\$ 9,066,336</u>	<u>\$ 7,775,725</u>

**AMPLA HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2014 and 2013**

**Note 5. Long-Term Debt (Continued)**

Long-term debt repayments due in each of the next five fiscal years are:

<u>Year Ending June 30,</u>	
2015	\$ 2,759,290
2016	788,650
2017	952,194
2018	848,775
2019	701,196
Thereafter	5,775,521
	<u>\$ 11,825,626</u>

**Note 6. Compliance with Financial Covenants**

*California Statewide Communities Development Authority Bonds*

Under the terms of the Regulatory Agreements by and between the Organization, and the Office of Statewide Health Planning and Development of the State of California (OSHPD), Cal-Mortgage Loan Insurance Division the Organization is subject to financial covenants on debt which include a current ratio, minimum days of cash-on-hand and debt service coverage ratio requirements. The Organization was not in compliance with any of these debt covenants as of and for the year ended June 30, 2014.

Under the terms of the agreement, the Organization is required to retain an independent Management Consultant, acceptable by OSHPD to provide an overall evaluation of the operating performance of the Organization, and recommend a plan that will improve financial performance such that the Organization will achieve compliance with the all debt covenants. As of June 30, 2014 and for a period of one year thereafter, OSHPD has waived the Organization's requirement of obtaining a Management Consultant as well as the Organization's noncompliance with the financial covenants.

*Northern California National Bank Loans*

The two loan agreements between the Organization and Northern California National Bank (Northern) have certain covenants which require the Organization to maintain a minimum debt service coverage ratio and well as obtain written consent prior to incurring any additional financed debt. The Organization was not in compliance with these two provisions as of June 30, 2014. The Company has obtained a waiver of these covenants from Northern and the remaining outstanding debt will not be called.

**AMPLA HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2014 and 2013**

**Note 7. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2014</u>	<u>2013</u>
Healthcare services	\$ 516,038	\$ 422,939

Net assets were released from donor restrictions as follows:

	<u>2014</u>	<u>2013</u>
Purpose of restriction accomplished:		
Expenses incurred and services provided to satisfy donor/grant restrictions	\$ 335,536	\$ 37,400

**Note 8. Operating Lease Commitments**

The Organization has various building, storage and equipment leases that are classified as operating leases.

Total rent expense was \$322,348 and \$322,052 for the years ended June 30, 2014 and 2013 respectively.

Future minimum lease payments under the non-cancelable operating leases with initial or remaining terms of one year or more are as follows:

2015	\$211,086
2016	199,183
2017	161,331
2018	14,056
Thereafter	--

**Note 9. Employee Retirement Plan**

The Organization has a defined contribution profit-sharing plan covering substantially all of its employees. Employees qualify based on age and hours of service. Employees are fully vested after three years. The amount of the contribution is determined annually by the Board of Directors. Pension Plan expense was \$531,858 and \$0 for the years ended June 30, 2014 and 2013 respectively.

**AMPLA HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2014 and 2013**

**Note 10. Concentration of Credit Risk**

Financial instruments potentially subjecting the Organization to concentrations of credit risk consist primarily of bank demand deposit in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance thresholds, cash held in money market accounts in excess of the amounts insured by the U.S. Treasury insurance for money market funds, and various debt and equity investments in excess of the Securities Investor Protection Corporation (“SIPC”) insurance threshold. Demand deposits are placed with a local financial institution, and management has not experienced any loss related to these demand deposits in the past. Investment securities are exposed to various risks, such as interest rate, market and credit risk. It is at least reasonably possible, given the level of risk associated with investment securities, that changes in the near term could materially affect the amount reported in the statement. The risk associated with the investments is mitigated through diversification.

Credit risk related to patient accounts receivable arises from the granting of credit without collateral to patients, most of whom are residents of counties that the Organization serves in the State of California.

The mix of receivables from patients and third-party payers at June 30, 2014 and 2013, is:

	<u>2014</u>	<u>2013</u>
Medicare	22%	13%
Medi-Cal	59%	52%
Private and other third-party payers	19%	35%
	<u>100%</u>	<u>100%</u>

**Note 11. Commitments & Contingencies**

***Regulatory***

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Organization is subject to similar regulatory review will not have a material adverse effect on the Organization’s financial position.

**AMPLA HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2014 and 2013**

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**Note 11. Commitments & Contingencies**

*Litigation*

The Organization is involved in certain claims incidental to its operations. Management believes that the resolution of these matters will not have a material effect on the Organization's financial position or results of operations.

## **SUPPLEMENTAL INFORMATION**

**AMPLA HEALTH  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2014**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA No.	Grant/ Agency No.	Federal Expenditures
<i>U.S. Department of Agriculture</i>			
Passed through California Department of Health Services Special Supplemental Nutrition Program for Women, Infants & Children (WIC)	10.557	11-10432	\$ 1,240,985
Passed through Central Valley Health Network State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	10-10037	<u>26,582</u>
<i>Total U.S. Department of Agriculture</i>			<u>1,267,567</u>
<i>U.S. Department of Health &amp; Human Services</i>			
Consolidated Health Centers	93.224	H80CS00765-12	1,510,621
Consolidated Health Centers	93.224	H80CS00765-13	240,450
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H764A00794-11	389,060
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H764A00794-12	105,157
Ryan White Title III HIV Capacity Development and Planning Grant	93.928	P06HA26536-01	60,840
Affordable Care Act (ACA) Grants for Capital Development in Health Centers	93.526	C8ACS21236-01	605,248
Affordable Care Act (ACA) Grants for Capital Development in Health Centers	93.526	C8BCS24006-01	260,043
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Prog.	93.527	H80CS00765-11	17,668
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Prog.	93.527	H80CS00765-12	3,006,724
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Prog.	93.527	H80CS00765-13	<u>154,155</u>
Subtotal Direct Programs			<u>6,349,966</u>
Passed through California Department of Health Services HIV Care Formula Grants	93.917	13-20080	<u>111,615</u>
Passed through Central Valley Health Network State Planning & Establishment Grants for ACA Exchange	93.525	N/A	<u>58,580</u>
Subtotal Passed-Through Programs			<u>170,195</u>
<i>Total U.S. Department of Health and Human Services</i>			<u>6,520,161</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 7,787,728</u>

See accompanying notes to schedule of expenditures of federal awards.

**AMPLA HEALTH**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2014**

**Note A. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Ampla Health and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Ampla Health  
Yuba City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ampla Health (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Ampla Health's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ampla Health's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Ampla Health's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Oliver & Konrad, LLP*

December 5, 2014

## Certified Public Accountants

### **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Directors  
Ampla Health  
Yuba City, California

#### **Report on Compliance for Each Major Federal Program**

We have audited Ampla Health's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Ampla Health's major federal programs for the year ended June 30, 2014. Ampla Health's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Ampla Health's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ampla Health's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Ampla Health's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Ampla Health complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

### **Report on Internal Control Over Compliance**

Management of Ampla Health is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ampla Health's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ampla Health's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Oliver & Konrad, LLP*

December 5, 2014

**AMPLA HEALTH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

**SUMMARY OF AUDITOR'S RESULTS**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(s) identified?  yes  none reported

Noncompliance material to financial statements noted?

- yes  no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(s) identified?  yes  none reported

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are Required to be reported in accordance with Section 510(a) of OMB Circular A-133?

- yes  no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.224	Consolidated Health Centers
93.526	ACA Capital Development in Health Centers
93.527	ACA New & Expanded Services Under Health Cntr Program
93.918	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease

Dollar threshold used to distinguish between type A and type B programs \$ 300,000

- Auditee qualified as low-risk auditee?  yes  no